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## BIWEEKLY REPORT

# SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC WGR 1/186

25 March 1963

PREPARED BY THE WORKING GROUP  
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events  
8-21 March 1963

Czechoslovakia has offered Bolivia a revised contract to implement the credit of \$1.6 million extended in June 1962 for the construction of an antimony smelter. Terms designed to make the offer more attractive to the Bolivians provide for debt repayment from the output of the plant, repayment to begin 6 months after the plant has gone into satisfactory operation, and a schedule calling for higher interest payments during the later years of the loan rather than during the initial period, as is usually the case. A definite price of \$1.6 million is to be established for all machinery and equipment, and a 2-year guarantee extended for all equipment, with all construction work guaranteed for 5 years. This industrial enterprise would be the first constructed in Bolivia by a Bloc country, although in the past a number of large loan offers have been made by Czechoslovakia and the USSR.

A group of Iraqi military personnel has forwarded a recommendation to the Minister of Defense that Iraq's surface-to-air missile project be cancelled and that Soviet equipment and technicians be sent back to the USSR. It is estimated that Iraq has received at least 16 SA-2 missiles and associated equipment from the USSR. About 50 Soviet missile technicians currently are in the country.

Bulgaria has extended a credit of \$1.5 million to Tunisia to help finance the establishment of a "sports city" near Tunis. The credit, which is expected to cover about one-fourth of total foreign exchange costs, presumably will be repaid in convertible currency over a 5-year period at 3 percent interest. This is the first credit extended by Bulgaria to Tunisia.

Burma has signed a credit agreement, valued at \$2.5 million, with the USSR for the purchase of 1,000 tractors. Delivery is to take place before the end of 1963.

Indonesian defense officials have proposed to the USSR the outlines of a new Soviet-Indonesian arms agreement. Reportedly, Indonesia

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wishes to cancel \$28 million of outstanding contracts under previous credits and to negotiate a new credit agreement of \$140 million. The proposal probably will be discussed during Marshal Malinovskiy's visit to Djakarta at the end of March.

As a result of 7 years of active Bloc trade promotion in underdeveloped countries, Bloc trade with these areas has increased almost two and one-half times, reaching a value of about \$2.2 billion in 1961. The rate of growth has slowed considerably since 1959, however, and the share of the underdeveloped countries in total Bloc trade has remained a stable 7 to 8 percent since 1956. Although the Bloc's share of aggregate trade with these countries amounts to only 4 to 5 percent, the Bloc does account for a preponderant share of the total trade of certain underdeveloped countries. The Bloc provides only a modest market for the total exports of underdeveloped countries and, in spite of Bloc charges that Western neocolonialism seeks to perpetuate the status of underdeveloped countries as predominantly suppliers of raw materials, the Bloc thus far has offered underdeveloped countries a market for little more than food products and crude materials, primarily cotton and rubber. As a supplier to these countries, the Bloc provides mainly manufactured goods, machinery, and transport equipment and fuels.

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CONTENTS

	<u>Page</u>
I. General . . . . .	1
Patterns of Bloc Trade with Underdeveloped Countries . . . . .	1
II. Latin America . . . . .	4
A. Bolivia . . . . .	4
1. Terms of the Czechoslovak Offer of an Antimony Smelter . . . . .	4
2. Review of Bloc Economic Activities . . . . .	7
B. Visit of Czechoslovak Trade Mission to Haiti . . .	8
III. Middle East . . . . .	9
Possible Termination of Iraqi Missile Project . . . .	9
IV. Africa . . . . .	9
First Bulgarian Credit to Tunisia . . . . .	9
V. Asia . . . . .	10
A. Burmese Purchase of Soviet Tractors . . . . .	10
B. Proposed New Soviet-Indonesian Arms Agreement . . . . .	10

~~SECRET~~

~~SECRET~~

	<u>Page</u>
VI. Brief Notes . . . . .	11
Cambodia . . . . .	11
India . . . . .	11
Nigeria . . . . .	11
Tanganyika . . . . .	12

Tables

1. Commodities Exported by Underdeveloped Countries to the Soviet Bloc, 1959-61 . . . . .	3
2. Commodities Imported by Underdeveloped Countries from the Soviet Bloc, 1959-61 . . . . .	5

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Next 11 Page(s) In Document Exempt

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